

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-02304A

Community Water Company of Green Valley

P. O. Box 1078

Green Valley AZ 856221078

RECEIVED

APR 08 2004

ARIZONA CORPORATION COMMISSION
DIRECTOR OF UTILITIES

ANNUAL REPORT

FOR YEAR ENDING

12	31	2003
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FOR COMMISSION USE

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COMPANY INFORMATION

Company Name (Business Name) <u>Community Water Company of Green Valley</u>		
Mailing Address <u>P O Box 1078</u>		
(Street)		
<u>Green Valley</u>	<u>Arizona</u>	<u>85622-1078</u>
(City)	(State)	(Zip)
<u>520-625-8409</u>	<u>520-625-1951</u>	<u>N/A</u>
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address <u>info@communitywater.com</u>		
Local Office Mailing Address <u>P O Box 1078</u>		
(Street)		
<u>Green Valley</u>	<u>Arizona</u>	<u>85622-1078</u>
(City)	(State)	(Zip)
<u>520-625-8409</u>	<u>520-625-1951</u>	<u>N/A</u>
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address <u>info@communitywater.com</u>		

MANAGEMENT INFORMATION

Management Contact: <u>Arturo R. Gabaldon</u>		<u>General Manager</u>	
(Name)		(Title)	
<u>P O Box 1078</u>	<u>Green Valley</u>	<u>Arizona</u>	<u>85622-1078</u>
(Street)	(City)	(State)	(Zip)
<u>520-625-8409</u>	<u>520-625-1951</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>arturo@communitywater.com</u>			
On Site Manager: <u>Arturo R. Gabaldon, General Manager</u>			
(Name)			
<u>P O Box 1078</u>	<u>Green Valley</u>	<u>Arizona</u>	<u>85622-1078</u>
(Street)	(City)	(State)	(Zip)
<u>520-625-8409</u>	<u>520-625-1951</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>arturo@communitywater.com</u>			

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: William D. Baker

(Name)

7310 N 16th Street, Suite 320

(Street)

Phoenix

(City)

AZ

(State)

85020

(Zip)

602-956-8878

Telephone No. (Include Area Code)

602-224-9663

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Attorney: William D. Baker

(Name)

7310 N 16th Street, Suite 120

(Street)

Phoenix

(City)

Arizona

(State)

85020

(Zip)

(602) 956-8878

Telephone No. (Include Area Code)

(602) 224-9663

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☐ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☒ Association/Co op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☒ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs			
311	Pumping Equipment			
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	See Exhibit A - Page 1		
331	Transmission and Distribution Mains			
333	Services			
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS			

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME Community Water Company of Green Valley

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs			
311	Pumping Equipment			
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains			
333	Services	See Exhibit A - Page 2		
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS			

This amount goes on Comparative Statement of Income and Expense _____
Acct. No. 403.

BALANCE SHEET

Acct .No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 568,732	\$ 1,480,367
134	Working Funds		
135	Temporary Cash Investments	219,585	498,728
141	Customer Accounts Receivable	179,307	187,209
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	38,166	39,348
162	Prepayments	19,389	23,430
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 1,025,179	\$ 2,229,082
	FIXED ASSETS		
101	Utility Plant in Service	\$ 16,059,274	\$ 17,891,237
103	Property Held for Future Use		
105	Construction Work in Progress	598,553	146,737
108	Accumulated Depreciation – Utility Plant	(5,433,096)	(5,795,269)
121	Non-Utility Property	400,440	442,749
122	Accumulated Depreciation – Non Utility	-0-	-0-
	TOTAL FIXED ASSETS	\$ 11,625,171	\$ 12,685,454
	TOTAL ASSETS	\$ 12,650,350	\$ 14,914,536

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 98,920	\$ 69,096
232	Notes Payable (Current Portion)	-0-	33,333
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		
236	Accrued Taxes	67,917	70,706
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	71,502	57,978
	TOTAL CURRENT LIABILITIES	\$ 238,339	\$ 231,113
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ -0-	433,333
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	4,019,985	5,467,007
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	1,370,070	1,661,284
272	Less: Amortization of Contributions	(270,204)	(307,944)
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 5,119,851	\$ 6,820,347
265	Maintenance Reserves	101,948	33,823
	TOTAL LIABILITIES	\$ 5,460,138	\$ 7,518,616
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$	\$
211	Paid in Capital in Excess of Par Value	48,010	48,010
215	Retained Earnings	7,142,202	7,347,910
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 7,190,212	\$ 7,395,920
	TOTAL LIABILITIES AND CAPITAL	\$ 12,650,350	\$ 14,914,536

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 1,914,474	\$ 1,935,894
460	Unmetered Water Revenue	12,691	26,398
474	Other Water Revenues	110,520	116,189
	TOTAL REVENUES	\$ 2,037,685	\$ 2,078,481
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 597,398	\$ 625,060
610	Purchased Water	-0-	-0-
615	Purchased Power	132,636	138,703
618	Chemicals	10,580	11,942
620	Repairs and Maintenance	84,717	86,956
621	Office Supplies and Expense	7,022	11,993
630	Outside Services	44,282	35,396
635	Water Testing		
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability	18,072	21,457
659	Insurance - Health and Life	142,891	149,877
666	Regulatory Commission Expense – Rate Case	4,405	4,532
675	Miscellaneous Expense	195,532	251,836
403	Depreciation Expense	410,397	373,428
408	Taxes Other Than Income	48,246	50,209
408.11	Property Taxes	102,035	107,210
409	Income Tax	-0-	-0-
	TOTAL OPERATING EXPENSES	\$ 1,798,213	\$ 1,868,599
	OPERATING INCOME/(LOSS)	\$ 239,472	\$ 209,882
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 27,835	\$ 21,228
421	Non-Utility Income	1,310	
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	-0-	(23,326)
	TOTAL OTHER INCOME/(EXPENSE)	\$ 29,145	\$ (2,098)
	NET INCOME/(LOSS)	\$ 268,617	\$ 207,784

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	01/02/03			
Source of Loan	Bank One			
ACC Decision No.	65200			
Reason for Loan	Plant Expansion			
Dollar Amount Issued	\$500,000	\$	\$	\$
Amount Outstanding	\$466,667	\$	\$	\$
Date of Maturity	12/05/07			
Interest Rate	Prime + .50%	%	%	%
Current Year Interest	\$ 22,774	\$	\$	\$
Current Year Principle	\$ 33,333	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 10,189.33

Meter Deposits Refunded During the Test Year

\$ 2,177.96

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-627485 (#6)	250	1100	837	16	1-6" & 1-10"	1977
55-627486 (#7)	250	1000	1065	12	1-6" & 1-10"	1982
55-543600 (#8)	400	1750	990	24"-0-40' 16"-40-990'	1-8" 1-12"	1994
55-588121 (#9)	250	1200	1000	20	1-3" & 1-12	2002

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A	N/A	N/A

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5	1	760	
10	1		
20	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
1 million	3	10,000	1
2 million	1		

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	Copper & PVC	7,050
3	AC & PVC	8,167
4	AC & DI	52,338
5	-0-	
6	AC & DI	305,026
8	AC & DI	151,155
10	AC & DI	6,799
12	AC & DI	101,197
16	AC & DI	9,320

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	7,573
3/4	88
1	470
1 1/2	58
2	133
Comp. 3	
Turbo 3	61
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

For chlorination: Tablet chlorination at wells 6, 7, 8 and 9

STRUCTURES:

Office building, warehouse and storage building.

OTHER:

Flat bed trailer, service trucks, backhoes, dump bed trailer, air compressor/equipment trailer, welding, sanding, plumbing, painting and other equipment necessary to perform duties of water utility.

COMPANY NAME: Community Water Company of Green Valley

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2003

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	9,668	51,464	60,959
FEBRUARY	9,695	51,848	52,181
MARCH	9,709	49,014	65,405
APRIL	9,777	57,856	68,137
MAY	9,787	63,492	77,548
JUNE	9,800	69,301	78,623
JULY	9,765	76,060	79,154
AUGUST	9,709	68,663	75,258
SEPTEMBER	9,777	63,440	68,238
OCTOBER	9,793	58,911	69,733
NOVEMBER	9,799	55,074	62,204
DECEMBER	9,837	56,728	65,353
TOTAL		N/A	822,793

Is the Water Utility located in an ADWR Active Management Area (AMA)?

(X) Yes () No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

(X) Yes () No

If yes, provide the GPCPD amount: 144.7

What is the level of arsenic for each well on your system. below mg/l

(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

Well No.	<u>Arsenic</u>
Well #6	.012
Well #7	.008
Well #8	.009
Well #9	.013

COMPANY NAME Community Water Co. of Green Valley YEAR ENDING 12/31/2003

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2003 was: \$ 104,623

Attach to this annual report proof (e.g. property tax bills stamped “paid in full” or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

See Attached Cancelled Checks

COMPANY NAME Community Water Company of Green Valley **YEAR ENDING 12/31/2003**

INCOME TAXES

For this reporting period, provide the following: **Community Water Company is exempt from taxation under 501(C) 12 of the Internal Revenue Code.**

Federal Taxable Income Reported _____
Estimated or Actual Federal Tax Liability _____

State Taxable Income Reported _____
Estimated or Actual State Tax Liability _____

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____
Amount of Gross-Up Tax Collected _____
Total Grossed-Up Contributions/Advances _____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

SIGNATURE

DATE

PRINTED NAME

TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED

APR 08 2004

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE _____

COUNTY OF (COUNTY NAME) Pima	Z CORPORATION COMMISSION
NAME (OWNER OR OFFICIAL) TITLE Arturo Gabaldon, General Manager	DIRECTOR OF UTILITIES
COMPANY NAME Community Water Company of Green Valley	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

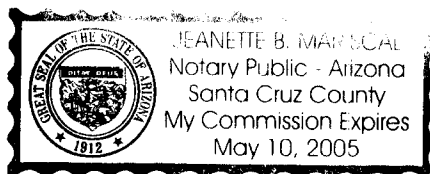
FOR THE YEAR ENDING

MONTH 12	DAY 31	YEAR 2003
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HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2003 WAS:

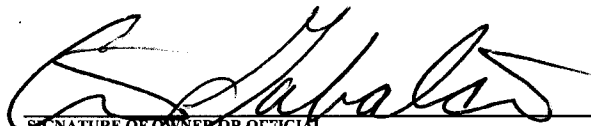


Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 2,179,866

**(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 115,531
IN SALES TAXES BILLED, OR COLLECTED)**

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**


SIGNATURE OF OWNER OR OFFICIAL
320-625-8409
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 2nd **DAY OF**

(SEAL)

MY COMMISSION EXPIRES May 10, 2005

COUNTY NAME Santa Cruz	
MONTH April	YEAR 2004


SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

RECEIVED

APR 08 2004

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

COUNTY OF (COUNTY NAME)	Pima	
NAME (OWNER OR OFFICIAL)	Arturo Gabaldon	TITLE General Manager
COMPANY NAME Community Water Company of Green Valley		

**ARIZONA CORPORATION COMMISSION
DIRECTOR OF UTILITIES**

MONTH	DAY	YEAR
12	31	2003

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

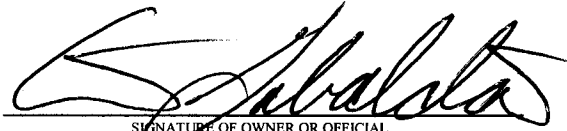
IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2003 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,877,930

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 103,736
IN SALES TAXES BILLED, OR COLLECTED)

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**


SIGNATURE OF OWNER OR OFFICIAL

520-625-8409
TELEPHONE NUMBER

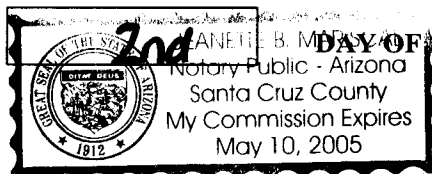
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

(SEAL)

MY COMMISSION EXPIRES



NOTARY PUBLIC NAME Jeanette B. Mariscal	
COUNTY NAME Santa Cruz	
MONTH April	, 20 04

X 
SIGNATURE OF NOTARY PUBLIC

Community Water Co.
Plant Account

12/31/2003

ACCT	SUB	DESCRIPTION	COST 12/31/2003	ACC DEPR 12/31/2003	O.C.I.D. 12/31/2003
101-01	(301)	Organization	47,863.07	46,985.59	877.48
101-02	(302)	Franchise	243.65	117.46	126.19
101-05	(310-03)	Other Source of Supply Land	45,765.71	0.00	45,765.71
101-09	(314)	Wells	981,420.48	141,364.20	840,056.28
101-13	(320)	Pumping Land	219.77	0.00	219.77
101-17	(321)	Pumping Structure	1,940.40	586.28	1,354.12
101-21	(325)	Pumping Equip Electr	636,025.38	171,810.62	464,214.76
101-25	(328)	Pumping Equip Gas	3,631.95	3,111.08	520.87
101-27	(331)	Water Treatment Struct	2,861.71	890.46	1,971.25
101-29	(332)	Water Treatment Equip	13,444.68	(37,097.87)	50,542.55
101-33	(342)	Tanks Reservoirs	1,066,451.79	276,709.07	789,742.72
101-37	(343)	Mains	8,358,189.84	2,555,576.51	5,802,613.33
101-41	(344)	Fire Sprinkler Taps	197,510.33	55,929.41	141,580.92
101-45	(345)	Services	2,413,389.39	606,714.43	1,806,674.96
101-49	(346)	Meters	527,106.53	101,033.09	426,073.44
101-53	(348)	Hydrants	998,268.32	347,209.69	651,058.63
101-57	(389)	Land- Ware house Well #7	45,101.94	0.00	45,101.94
101-61	(390)	#4 Warehouse & La Canada booster	9,248.57	8,131.80	1,116.77
101-65	(390-01)	Office Building	360,288.88	135,614.09	224,674.79
101-69	(390-02)	Warehouse Ward Lane	130,568.99	57,821.45	72,747.54
101-70	(390-03)	Land Purchase Office Building	22,567.00	0.00	22,567.00
101-73	(391)	Office Furniture & Equip	118,854.89	3,998.13	114,856.76
101-77	(391-01)	Office Equip Burroughs	0.00	(7,500.81)	7,500.81
101-87	(393)	Stores Equipment	2,441.14	738.23	1,702.91
101-89	(394)	Tools Etc.	99,006.46	11,845.25	87,161.21
101-91	(395)	Laboratory Equipment	2,344.64	929.95	1,414.69
101-93	(396)	Power Operated Equipment	41,952.35	6,090.52	35,861.83
101-97	(397)	Communication Equipment	70,648.60	22,731.23	47,917.37
101-81	(391-02)	Office Equip Computer (12.5%)	237,237.82	137,538.71	99,699.11
		Depr 111-10	16,434,594.28		16,434,594.28
101-95	(396-01)	Backhoe (6.24%)	107,179.07	64,397.18	42,781.89
		Depr 111-30	16,541,773.35	4,713,275.75	11,828,497.60
101-85	(392)	Vehicles	283,812.11	240,861.03	42,951.08
		Depr 111-20	16,825,585.46	4,954,136.78	11,871,448.68
115-00		CWC(North) Plant Acq Adj	437,109.00	437,109.00	0.00
117-00		Plant Acquisition Adj (Deprec 118-00)	628,542.94	404,023.37	224,519.57
			17,891,237.40	5,795,269.15	12,095,968.25

Community Water Co.
Plant Account

12/31/2003

ACCT	SUB	DESCRIPTION	ACC DEPR 12/31/2002	Depreciation Expense 2003	Retirements & Salvage Value 2003	ACC DEPR 12/31/2003
101-01	(301)	Organization	46,784.79	200.80		46,985.59
101-02	(302)	Franchise	111.39	6.07		117.46
101-05	(310-03)	Other Source of Supply Land	0.00	NA		0.00
101-09	(314)	Wells	122,769.36	18,979.84	385.00	141,364.20
101-13	(320)	Pumping Land	0.00	NA		0.00
101-17	(321)	Pumping Structure	537.96	48.32		586.28
101-21	(325)	Pumping Equip Electr	157,132.57	14,678.05		171,810.62
101-25	(328)	Pumping Equip Gas	3,020.64	90.44		3,111.08
101-27	(331)	Water Treatment Struct	819.20	71.26		890.46
101-29	(332)	Water Treatment Equip	(37,097.87)	NA		(37,097.87)
101-33	(342)	Tanks Reservoirs	250,154.42	26,554.65		276,709.07
101-37	(343)	Mains	2,363,829.60	192,889.81	1,142.90	2,555,576.51
101-41	(344)	Fire Sprinkler Taps	51,016.10	4,913.31		55,929.41
101-45	(345)	Services	555,077.18	58,774.72	7,137.47	606,714.43
101-49	(346)	Meters	109,089.58	13,117.01	21,173.50	101,033.09
101-53	(348)	Hydrants	323,655.84	24,598.85	1,045.00	347,209.69
101-57	(389)	Land- Ware house Well #7	0.00	NA		0.00
101-61	(390)	#4 Warehouse & La Canada booster	8,007.81	123.99		8,131.80
101-65	(390-01)	Office Building	126,642.90	8,971.19		135,614.09
101-69	(390-02)	Warehouse Ward Lane	54,570.28	3,251.17		57,821.45
101-70	(390-03)	Land Purchase Office Building	0.00	NA		0.00
101-73	(391)	Office Furniture & Equip	1,067.39	2,930.74		3,998.13
101-77	(391-01)	Office Equip Burroughs	(7,500.81)	FD		(7,500.81)
101-87	(393)	Stores Equipment	677.45	60.78		738.23
101-89	(394)	Tools Etc.	16,661.84	2,530.86	7,347.45	11,845.25
101-91	(395)	Laboratory Equipment	871.57	58.38		929.95
101-93	(396)	Power Operated Equipment	5,051.87	1,038.65		6,090.52
101-97	(397)	Communication Equipment	20,984.04	1,747.19		22,731.23
101-81	(391-02)	Office Equip Computer (12.5%)	122,522.07	20,016.64	5,000.00	137,538.71
		Depr 111-10		395,652.72		
101-95	(396-01)	Backhoe (6.24%) Depr 111-30	59,894.06	4,503.12		64,397.18
			4,356,351.23	400,155.84	43,231.32	4,713,275.75
101-85	(392)	Vehicles Depr 111-20	251,129.36	38,949.48	49,217.81	240,861.03
			4,607,480.59	439,105.32	92,449.13	4,954,136.78
115-00		CWC(North) Plant Acq Adj	437,109.00	0.00		437,109.00
117-00		Plant Acquisition Adj (Deprec 118-00)	388,507.37	15,516.00		404,023.37
			5,433,096.96	454,621.32	92,449.13	5,795,269.15
		Vehicle & Backhoe taken to Job Costs		(43,452.60)		
		Amortization contributions in aid of construction		(37,740.40)		
		Net Depreciation Expense		373,428.32		

Community Water Co.
Plant Account

12/31/2003

ACCT	SUB	DESCRIPTION	COST 12/31/2002	ADDITIONS	RETIREMENTS	COST 12/31/2003
101-01	(301)	Organization	47,863.07			47,863.07
101-02	(302)	Franchise	243.65			243.65
101-05	(310-03)	Other Source of Supply Land	45,765.71			45,765.71
101-09	(314)	Wells	543,064.48	438,741.00	385.00	981,420.48
101-13	(320)	Pumping Land	219.77			219.77
101-17	(321)	Pumping Structure	1,940.40			1,940.40
101-21	(325)	Pumping Equip Electr	599,971.36	36,054.02		636,025.38
101-25	(328)	Pumping Equip Gas	3,631.95			3,631.95
101-27	(331)	Water Treatment Struct	2,861.71			2,861.71
101-29	(332)	Water Treatment Equip	13,444.68			13,444.68
101-33	(342)	Tanks Reservoirs	1,066,451.79			1,066,451.79
101-37	(343)	Mains	7,134,967.87	1,224,364.87	1,142.90	8,358,189.84
101-41	(344)	Fire Sprinkler Taps	197,133.07	377.26		197,510.33
101-45	(345)	Services	2,307,471.83	113,055.03	7,137.47	2,413,389.39
101-49	(346)	Meters	526,468.96	21,811.07	21,173.50	527,106.53
101-53	(348)	Hydrants	977,543.02	21,770.30	1,045.00	998,268.32
101-57	(389)	Land- Ware house Well #7	45,101.94			45,101.94
101-61	(390)	#4 Warehouse & La Canada booster	9,248.57			9,248.57
101-65	(390-01)	Office Building	360,288.88			360,288.88
101-69	(390-02)	Warehouse Ward Lane	130,568.99			130,568.99
101-70	(390-03)	Land Purchase Office Building	22,567.00			22,567.00
101-73	(391)	Office Furniture & Equip	116,545.90	2,308.99		118,854.89
101-77	(391-01)	Office Equip Burroughs	0.00			0.00
101-87	(393)	Stores Equipment	2,441.14			2,441.14
101-89	(394)	Tools Etc.	104,275.50	2,078.41	7,347.45	99,006.46
101-91	(395)	Laboratory Equipment	2,344.64			2,344.64
101-93	(396)	Power Operated Equipment	41,472.98	479.37		41,952.35
101-97	(397)	Communication Equipment	69,687.88	960.72		70,648.60
101-81	(391-02)	Office Equip Computer (12.5%)	230,725.90	11,511.92	5,000.00	237,237.82
		Depr 111-10	14,604,312.64	1,873,512.96	43,231.32	16,434,594.28
101-95	(396-01)	Backhoe (6.24%) Depr 111-30	107,179.07			107,179.07
			14,711,491.71	1,873,512.96	43,231.32	16,541,773.35
101-85	(392)	Vehicles Depr 111-20	282,130.80	66,999.12	65,317.81	283,812.11
			14,993,622.51	1,940,512.08	108,549.13	16,825,585.46
115-00		CWC(North) Plant Acq Adj	437,109.00			437,109.00
117-00		Plant Acquisition Adj (Deprec 118-00)	628,542.94			628,542.94
			16,059,274.45	1,940,512.08	108,549.13	17,891,237.40

EXHIBIT A

Page 3



COMMUNITY WATER COMPANY OF GREEN VALLEY
(FED. I.D. NO. 86-0326996)
P.O. BOX 1078
GREEN VALLEY, AZ 85622-1078
(520) 625-8409

BANK ONE, ARIZONA, NA
CONTINENTAL PLAZA OFFICE (197)
GREEN VALLEY, ARIZONA

91-2
1221

109841

0109841

PAY

TO THE
ORDER OF

EXACTLY ***50954 DOLLARS AND 10 CENTS

DATE

AMOUNT

04/08/03

**50,954.10

PIMA CO TREASURER OFFICE
BETH FORD
115 N CHURCH AVE
TUCSON, AZ 85701-1199

[Signature]
AUTHORIZED SIGNATURE
[Signature]
AUTHORIZED SIGNATURE

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2026⑈ 2155⑈

⑈0005095410⑈

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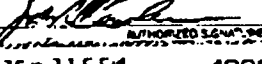
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Bank One NA Dallas TX
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04/09/03

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DEBIT TO THE
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WITHOUT FEES
FEE, REGULAR

	COMMUNITY WATER COMPANY OF GREEN VALLEY FED ID NO 86-0338883 P.O. BOX 1078 GREEN VALLEY, AZ 85622-1078 (520) 635-8400	BANK ONE, ARIZONA NA CONTINENTAL PLAZA OFFICE (197) GREEN VALLEY, ARIZONA	01-2 1221	110228
				0110228
PAY TO THE ORDER OF	EXACTLY ***53668 DOLLARS AND 69 CENTS	DATE 10/08/03	AMOUNT **53,668.69	
PIMA CO TREASURER OFFICE BETH FORD 115 N CHURCH AVE TUCSON, AZ 85701-1199		 AUTHORIZED SIGNATURE  AUTHORIZED SIGNATURE		
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 CREDIT TO THE
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 WITHOUT PREL
 REG. REGULAR

⑆110228⑆ ⑆122100024⑆

Posting Date 2003 Oct 10
 Sequence # 8740132450
 Account # 000000000020262155
 Amount \$53,668.69
 Check/Serial # 000000110228
 Bank # 601
 Tran Code 000000
 item type

**Report of Independent Auditors
To the Board of Directors and Members of
Community Water Company of Green Valley**

We have audited the accompanying balance sheets of Community Water Company of Green Valley as of December 31, 2003 and 2002, and the related statements of revenues and expenses, membership interest, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Water Company of Green Valley as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ullmann & Company

ULLMANN & COMPANY, P.C.

Certified Public Accountants

February 4, 2004

Balance Sheets

Assets

	<u>2003</u>	<u>2002</u>
Utility plant:		
Plant in service, at cost	\$17,891,237	\$16,059,274
Construction work-in-progress	<u>146,737</u>	<u>598,553</u>
	18,037,974	16,657,827
Less accumulated depreciation	<u>5,795,269</u>	<u>5,433,096</u>
Total utility plant	<u>12,242,705</u>	<u>11,224,731</u>
 Current assets:		
Cash and cash equivalents	1,864,810	669,270
Securities available-for-sale, at market	114,285	119,047
Accounts receivable, less allowance for doubtful accounts of \$3,200 in 2003 and 2002	187,209	179,307
Materials and supplies	39,348	38,166
Prepayments and deposits	<u>23,430</u>	<u>19,389</u>
Total current assets	<u>2,229,082</u>	<u>1,025,179</u>
 Deferred charges:		
Central Arizona Project capital charges	382,382	336,256
Other	<u>60,367</u>	<u>64,184</u>
Total deferred charges	<u>442,749</u>	<u>400,440</u>
	<u>\$14,914,536</u>	<u>\$12,650,350</u>

As of December 31, 2003 and 2002

Membership Interest and Liabilities

	<u>2003</u>	<u>2002</u>
Membership interest:		
Memberships and contributions	\$ 48,010	\$ 48,010
Accumulated surplus	7,335,550	7,127,766
Accumulated other comprehensive income	<u>12,360</u>	<u>14,436</u>
Total membership interest	<u>7,395,920</u>	<u>7,190,212</u>
Long-term debt	<u>433,333</u>	<u>-</u>
Current liabilities:		
Current maturities of long-term debt	33,333	-
Accounts payable	69,096	98,920
Accrued taxes	70,706	67,917
Other liabilities	<u>147,978</u>	<u>71,502</u>
Total current liabilities	<u>321,113</u>	<u>238,339</u>
Deferred credits:		
Refundable advances for construction	5,377,007	4,019,985
Other	<u>33,823</u>	<u>101,948</u>
Total deferred credits	<u>5,410,830</u>	<u>4,121,933</u>
Contributions in-aid-of construction, net	<u>1,353,340</u>	<u>1,099,866</u>
	<u>\$14,914,536</u>	<u>\$12,650,350</u>

The accompanying notes are an integral part of the financial statements.

Statements of Revenues and Expenses
For the years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues	<u>\$2,179,866</u>	<u>\$2,128,843</u>
Operating expenses:		
Operations	1,224,378	1,194,906
Maintenance	113,374	109,813
Depreciation and amortization	373,428	343,214
Taxes - other	<u>272,950</u>	<u>264,859</u>
Total operating expenses	<u>1,984,130</u>	<u>1,912,792</u>
Excess of operating revenues over operating expenses	<u>195,736</u>	<u>216,051</u>
Other revenues(expenses):		
Interest expense	(23,326)	-
Interest income	21,228	27,835
Other income, net	<u>14,146</u>	<u>24,731</u>
Total other revenues(expenses)	<u>12,048</u>	<u>52,566</u>
Excess of revenues over expenses	<u><u>\$ 207,784</u></u>	<u><u>\$ 268,617</u></u>

The accompanying notes are an integral part of the financial statements.

Statements of Membership Interest
For the years ended December 31, 2003 and 2002

	Comprehensive Income	Accumulated Surplus	Accumulated Other Comprehensive Income	Memberships and Contributions	Total Membership Interest
December 31, 2001 Membership Interest		\$6,859,149	\$6,939	\$48,010	\$6,914,098
Excess of revenues over expenses	\$268,617	268,617			268,617
Net adjustments to unrealized holding gains on securities available-for-sale	7,497		7,497		7,497
December 31, 2002 Comprehensive Income	<u>\$276,114</u>				
December 31, 2002 Membership Interest		7,127,766	14,436	48,010	7,190,212
Excess of revenues over expenses	\$207,784	207,784			207,784
Net adjustments to unrealized holding losses on securities available-for-sale	(2,076)		(2,076)		(2,076)
December 31, 2003 Comprehensive Income	<u>\$205,708</u>				
December 31, 2003 Membership Interest		<u>\$7,335,550</u>	<u>\$12,360</u>	<u>\$48,010</u>	<u>\$7,395,920</u>

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

(Decrease) Increase in Cash and Cash Equivalents

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Cash received from customers	\$2,186,110	\$2,143,859
Cash paid for operating and maintenance expenses	(1,366,748)	(1,258,896)
Taxes paid	(270,161)	(282,444)
Interest paid	(21,518)	-
Interest received	<u>21,228</u>	<u>27,835</u>
Net cash provided by operating activities	<u>548,911</u>	<u>630,354</u>
Cash flows used in investing activities:		
Capital expenditures	(1,530,934)	(1,592,809)
Proceeds from sale of capital assets	16,100	13,970
Proceeds from maturities of securities available-for-sale	2,686	304,825
Central Arizona Project capital charges	<u>(46,126)</u>	<u>(57,491)</u>
Net cash used in investing activities	<u>(1,558,274)</u>	<u>(1,331,505)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	500,000	-
Repayment of long-term debt	(33,334)	-
Proceeds from refundable advances and contributions in-aid-of construction	1,823,401	218,491
Repayments of refundable advances for construction	<u>(85,164)</u>	<u>(57,985)</u>
Net cash provided by financing activities	<u>2,204,903</u>	<u>160,506</u>
Net increase (decrease) in cash and cash equivalents	1,195,540	(540,645)
Cash and cash equivalents at beginning of year	<u>669,270</u>	<u>1,209,915</u>
Cash and cash equivalents at end of year	<u>\$1,864,810</u>	<u>\$ 669,270</u>
Non Cash Investing Activities:		
Accounts payable purchases of utility plant	<u>\$28,280</u>	<u>\$ 70,518</u>

For the years ended December 31, 2003 and 2002

**Reconciliation of Excess of Revenues Over Expenses
to Net Cash Provided by Operating Activities**

	<u>2003</u>	<u>2002</u>
Excess of revenues over expenses	<u>\$207,784</u>	<u>\$268,617</u>
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	373,428	343,214
Depreciation and amortization included in operations and maintenance expense	54,878	53,446
Increase in accounts receivable	(7,902)	(9,715)
(Increase) decrease in materials and supplies	(1,182)	12,608
Increase in prepayments and special deposit	(4,041)	(192)
Increase in other deferred charges	-	(3,926)
Increase (decrease) in accounts payable	12,414	(15,680)
Increase (decrease) in accrued taxes	2,789	(17,585)
(Decrease) increase in other current liabilities	(13,524)	1,624
Net change in other deferred credits less amount attributable to amortization	<u>(75,733)</u>	<u>(2,057)</u>
Total adjustments	<u>341,127</u>	<u>361,737</u>
Net cash provided by operating activities	<u>\$548,911</u>	<u>\$630,354</u>

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. ORGANIZATION:

Community Water Company of Green Valley (the "Company"), an Arizona nonprofit corporation, was incorporated in 1975 by the water users of Green Valley and began operations in 1977. The Company sells water to residential and commercial customers in a southern Arizona retirement community. The Company is owned by the water users, who made various equity contributions to provide the Company with working capital to commence operations.

2. SIGNIFICANT ACCOUNTING POLICIES:

Maintenance of Accounting Records - The Company maintains its accounting records substantially in accordance with the Uniform System of Accounts prescribed for Class A water utilities by the National Association of Regulatory Utility Commissioners.

Utility Plant - Utility plant is stated at original cost and consists of contract costs, labor, material and allowances for indirect costs. The cost of maintenance, repairs and minor renewals is charged to expense in the year incurred.

Depreciation and amortization expense is provided for on the straight-line basis utilizing the following annual rates based on the estimated useful lives of the asset. The depreciation rates and balances of major classes of depreciable assets are as follows:

	Depreciation	Balance	Balance
	Rate	12/31/02	12/31/03
Utility Plant.....	2.49%	\$17,149,354	\$15,325,584
Computer Equipment...	12.50%	237,238	230,726
Backhoe.....	6.25%	107,179	107,179
Vehicles.....	16.67%	283,812	282,131
Land.....	N/A	113,654	113,654
Total.....		<u>\$17,891,237</u>	<u>\$16,059,274</u>

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash and Cash Equivalents - The Company considers cash in banks and all highly liquid investments purchased with a maturity of three months or less to be cash equivalents for purposes of reporting cash flows.

Investment Securities - The Company accounts for its investment securities in accordance with Statement of Financial Accounting Standards No. 115 which provides that the Company classify investments in securities as either trading securities, securities to be held to maturity or securities available-for-sale. The Company has classified all investments as securities available-for-sale. Securities available-for-sale consists of U.S. Government investments and mortgage backed securities. Such securities are recorded at fair value with any unrealized gains and losses being reflected as a separate component of membership interest. Gains and losses on the sale of securities available-for-sale are determined using the specific identification method.

Materials and Supply Inventory - Inventory is stated at the lower of cost or market. Cost is determined on a weighted average basis.

Revenue Recognition - The Company's operating revenues are generated through sales of water to residential and commercial customers in the Green Valley area. Revenue consists of monthly cycle customer billings for water service at rates authorized by the Arizona Corporation Commission. Revenue from metered accounts includes unbilled amounts based on the estimated usage from the latest meter reading to the end of the accounting period.

Comprehensive Income - Other comprehensive income consists entirely of net unrealized holding gains and losses on securities available-for-sale.

Income Taxes - The Company is an Internal Revenue Code (IRC) Section 501(a) organization, exempt from taxes by application of IRC Section 501(c)(12).

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

Refundable Advances and Contributions for Construction - The cost of constructing certain expansions to utility plant has been advanced to the Company by the owners of the property served by the expansions. The Company repays these advances by refunding to the owners specified percentages of the annual water revenue which the Company derives from the expansions. These repayments continue until the advances are fully repaid or until the expiration of an agreed-upon repayment term. If the repayment term expires before an advance is fully repaid, the unpaid balance is reclassified as contributions in-aid-of construction. Amounts classified as contributions in-aid-of construction are amortized on a straight-line basis utilizing the annual utility plant rate.

Refundable advances for construction are non-interest-bearing. As of December 31, 2003 and 2002 the Company's refundable advances for construction specify repayment rates up to 20% of applicable annual water revenues and the majority of these contracts contain remaining repayment terms up to 15 years.

3. LONG-TERM DEBT:

On January 5, 2003, the Company entered into a long-term debt agreement consisting of a note to Bank One for \$500,000. The note is payable in monthly principal installments of \$2,778 plus interest at .50% per annum in excess of Bank One prime rate. The Bank One prime rate was 4% at December 31, 2003. The note is collateralized by a first position deed of trust on all of the Company's assets and revenues.

Future maturities of this long-term debt, based on the terms of the signed commitment, are as follows:

2004.....	\$	33,333
2005		33,333
2006		33,333
2007		<u>366,667</u>
		<u>\$466,666</u>

4. INVESTMENT SECURITIES:

The carrying amounts of investment securities as shown in the balance sheets of the Company are as follows:

Securities available-for-sale December 31, 2003	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Investments	\$92,320	\$12,055	\$0	\$104,375
Mortgaged Backed Securities	9,605	322	(17)	9,910
	<u>\$101,925</u>	<u>\$12,377</u>	<u>\$(17)</u>	<u>\$114,285</u>

Securities available-for-sale December 31, 2002	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Investments	\$ 92,320	\$14,084	\$0	\$106,404
Mortgaged Backed Securities	12,291	377	(25)	12,643
	<u>\$104,611</u>	<u>\$14,461</u>	<u>\$(25)</u>	<u>\$119,047</u>

Net unrealized gains as a separate component of membership interest are \$12,360 and \$14,436 for the years ended December 31, 2003 and 2002, respectively. The costs and estimated fair values of debt securities as of December 31, 2003, by contractual maturity, are shown below.

Debt securities available-for-sale December 31, 2003	Cost	Fair Value
Due in ten years or less	\$0	\$0
Due in more than ten years	<u>92,320</u>	<u>104,375</u>
U.S. Government Investments	<u>\$92,320</u>	<u>\$104,375</u>
Mortgaged Backed Securities	<u>\$9,605</u>	<u>\$9,910</u>

Expected maturities will differ from contractual maturities since issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

5. RETIREMENT PLAN:

The Company has defined contribution retirement plans which cover substantially all full-time employees. Under the provisions of these plans, 10% to 15% of qualified employees' salaries and wages are contributed by the Company to the Retirement Plans for investment by the plan trustees. The Company recorded expenses for these contributions of \$98,926 and \$103,804 for the years ended December 31, 2003 and 2002, respectively.

Under the terms of the 401(k) plan, qualified employees can contribute up to 10% of their salaries and wages. Qualified employees become fully vested in five years of eligible service, as defined in the plan.

6. COMMITMENTS:

The Company has subcontracted to accept up to 1,337 acre-feet of water annually from the Central Arizona Project. In addition, the Company has committed to accept an additional 1,521 acre-feet if and when such allocation is awarded. As of December 31, 2003, the additional allocation has not been awarded. The Central Arizona Project was declared complete during 1993. The Company incurred Municipal & Industrial Water Service Capital Charges of \$46,126 and \$57,491 for the years ended December 31, 2003 and 2002, respectively. The Company is currently studying several available options for the use of its allocations and cannot yet estimate the costs it will incur to purchase water from the Project.

7. DEFERRED CHARGES:

Advance payments relating to future water allocation from Central Arizona Project will be amortized to expense when usage occurs. Other deferred charges include stored water credits with the Arizona Department of Water Resources and advance land lease rental. The water credits will be expensed when used and land rental is amortized over the period of the lease.